DOCUMENT RESUME

ED 205 970 CS 206 481

AUTHOR Maittlen-Harris, John P.
TITLE Rupert Murdoch: Emergence of a Multinational Media Magnate.
PUB DATE Aug 81
NOTE 12p.: Paper presented at the Annual Meeting of the Association for Education in Journalism (64th, East Lansing, MI, August 8-11, 1981).

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Journalism: Mass Media: *Newspapers: *Publishing Industry
IDENTIFIERS *Media Ownership: *Murdoch (Rupert)

ABSTRACT

Rupert Murdoch's acquisition of the London "Times" was another step in what appears to be his emergence as the world's first truly international mass media magnate. After inheriting substantial Australian newspaper holdings from his father, Murdoch entered into many financial, circulation, and takeover battles during the course of his expansion. He acquired several financially ailing newspapers (including the "Times"), which competitors mistakenly thought would ruin Murdoch. Murdoch revived these papers by means of sensational or tabloid journalism, for which he has been heavily criticized. Some think however, that his acquisition of the "Times" may be his entry into legitimate journalism. The rapid expansion of his newspaper holdings is the result of a financial strategy in which he borrows heavily to finance a purchase, develops the profitability of the new purchase as quickly as possible, and uses these profits to pay off his loans. Murdoch's New York "Post" holds 30% of the daily newspaper market in that city, in addition to his hold on the British and Australian market. Observers think that if he bought or established one more newspaper in the American market, he would have a powerful influence on future political campaigns in the United States through media support of a particular candidate or platform. He has already been accused of biased political coverage in several of his papers. The political emphasis the London "Times" takes is likely to be watched closely. (HTH)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED205970

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

International Communications Division
AEJ - 1981

Rupert Murdoch: Emergence of a Multinational Media Magnate

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

John P. Maittlen-Harris

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

by

John P. Maittlen-Harris
Department of Journalism
Southwest Texas State University
San Marcos Texas 78666

512-245-2656

Presented to the International Communication Division. Association for Education in Journalism Annual Conference, East Lansing, Michigan, August 10, 1981.

CS206481

The takeover in February this year of The Times of London - the world's most venerable newspaper - by Australian media magnate Rupert Murdoch produced predictable stories about his growing empire and the prospects of his turning The Times into a girlie and cheesecake-laden "popular" daily newspaper. (1)

These stories also hinted at the possibility Murdoch might suffer financial problems from the takeover as well as serious difficulties with the powerful Fleet Street newspaper unions, which appear largely to have been responsible for the failure of the Canadian-based Thomson organization to keep The Times. (2)

But what Murdoch watchers seem largely to have failed to note is this this major move was just another step in the progress of what more and more appears to be the emergence of Rupert Murdoch as the world's first truly international mass media magnate.

Other notable press magnates had earlier built up a wide spread of media holdings. William Randolph Hearst was probably the best known but both Lord Beaverbrook and later Lord Thomson, both Canadians, would become almost as prominent. Rupert Murdoch's holdings may not yet equal the total achieved by any of these three press lords but he must already be within striking distance.

What this paper seeks to suggest is that the obvious interest Murdoch shows in politics and his personal incursions into its reporting on three continents, usually coupled with strong press support for his political choices, are major and distinctive elements in the growth of his multinational media empire.

This is not to suggest that other magnates have never been interested in politics. Hearst was a major political force in U.S. politics for at least a quarter century; Lord Beaverbrook was also renowned for his political campaigns, especially during the 1920s and 1930s.

But Rupert Murdoch is perhaps the only media magnate to intrude so strongly in the political processes of more than one nation - at least so visibly. This breadth of interest in addition to his media holdings lends support to the proposition that we may now be seeing the emergence of the world's first multinational media magnate.

Not only does Murdoch have a high personal and corporate profile, probably the highest of any of the media magnates since the second world war, but his obvious interest in politics has been a vital element in the running of his media empire. He has attracted strong and persistent criticism - so far without noticeable effect.

This paper therefore examines several aspects of the growth of Murdoch to support this content and also to suggest that further moves which consolidate and amplify this emergence of a modern media magnate are not too far distant.

Development:

Murdoch, who only recently turned 50, has achieved considerable success during the last quarter century after a comparatively small and not especially auspicious beginning. (3)

Struggling at the age of 22 on the death of his father, Sir Keith Murdoch, to maintain the elements of a small media corporation his father had left him, Rupert Murdoch in the last 25 years has built an international network of media holdings that are now reputed, with other interests, to be worth perhaps $500 million.

The Murdoch empire is spread across a number of countries and several geographic areas, mainly Australia, the United Kingdom and the U.S.A. He also has holdings in New Zealand and Hong Kong. The holdings however are concentrated in the first three countries and place Murdoch in a dominant position in the media industry in each of these three countries, each of which is able to and does provide strong support for the Murdoch operations in the other countries.

A brief examination of the growth of the Murdoch empire amplifies the basic contention of this paper but also suggests that this history may be useful in providing a picture through which we can plot and perhaps project the progress of Murdoch.

Table 1 briefly outlines Murdoch's major expansion moves during his media career, particularly those areas and techniques developed and tested during his first 10 years as a media owner, and honed to a high level of efficiency in many financial, circulation and press wars since then. This table confines itself largely to newspaper dealings and ignores most of Murdoch's attempts, for example, to establish himself in major Australian television. The moves listed in the table alone indicate a major Murdoch move approximately every 15 months. If all other business dealings, including failures, were included, the average time between each move would be significantly less.

The repetitive nature of so many of these moves, the way they were accomplished and Murdoch's progress through so many battles provide a fascinating study from which to attempt to plot Murdoch's future moves.

Rupert Murdoch was barely 21, still a senior economics student and six months away from his degree at Oxford University, England, when his father Sir Keith Murdoch died in October 1952. Sir Keith, at the time Australia's best known press baron, left a widow, three daughters and one son, Keith Rupert. Sir Keith however, was still in the process of re-arranging his personal estate to avoid the likelihood of crippling death duties when he died. His holdings were mainly in newspapers spread over several Australian states, as well as some small radio holdings and real estate. Rupert and the other members of the family it seems inherited it all, including $1.2 million in cash.

Table 1 sketches the expansion pattern evident in Rupert Murdoch's empire since then. It has been consistent and steady. Murdoch entered many financial, circulation and takeover battles. He did not win them all but he won more than he lost and was not afraid to tackle the giants in his industry. This history also indicates Murdoch virtually thrives on

press and business wars. Although not insensitive to criticism he seems rarely to let it deter him.

Most of the 1980 stories on The Times of London takeover referred to the massive losses - estimated at nearly $170 million - which the Thomson organization had incurred during its ownership from 1967 to 1981. Some of these stories implied (4) that these massive financial problems, allied with the complicated union problems, might be sufficient to sink The Times forever or at least seriously embarrass the Murdoch empire.

But at least twice before Murdoch has purchased large newspaper groups in serious financial difficulties where the owners who sold to him fully expected those financial problems to eliminate Murdoch as a competitor or seriously reduce his capacity to compete with them.

In 1960 a group that owned the Daily Mirror and several other newspapers, based in Sydney, Australia, agreed to sell to Murdoch for $4 million. This group was largely owned by the two big media combines of Sydney, John Fairfax Ltd and Sir Frank Packer's Consolidated Press. This group not only financed Murdoch so he could buy from them but they also gave him five years to pay off their ban. (5)

During the two previous years the combine had owned the Mirror group - they had bought it for the price they got from Murdoch, $4 million - they had seriously weakened the Mirror group, raiding it for cash, estimated to be at least $1 million, for staff and also for circulation. When Murdoch bought the paper it was losing thousands of dollars a week. The Fairfax-Packer combine fully expected the Mirror problems to sink Murdoch financially - or at least sink him in Sydney, the biggest press market in Australia, and still one of the few world cities with four competing dailies.

But in two years Murdoch had turned around the Daily Mirror. Not only by mid-1962 was it a fairly profitable paper but it had also outstripped the circulation of its only afternoon competitor - the Fairfax-owned Sydney Sun.

Then in September 1969 Murdoch bought control of The Sun in London from the mighty International Publishing Corporation for only $1.6 million. (6) In January the same year Murdoch had just won a nasty three months long noisy public takeover battle to gain control of News of The World, one of the biggest circulation newspapers in the world. IPC had also sold its ailing Sun to Murdoch at a very low price in the expectation that its financial problems coming so soon after his large takeover of the News of The World would cripple Murdoch. But once again Murdoch showed that he still retained a remarkable feeling for popular journalism. He completely changed the dusty socialist image of The Sun, turned it into a tabloid and within a few years had built its circulation from a financially sick 750,000 to a highly profitable 3.5 million.

In the process he was severely criticized for the journalistic style he used to achieve these results. His papers received harsh comments from the British Press Council, Murdoch himself was badly mauled in a television interview by David Frost and his name rapidly became synonymous with "sensational tabloid" journalism in each of the three countries where he was developing his largest holdings.

Murdoch's critics have never failed to attack him on these grounds and it was again noticeable in the takeover of The Times in London that the U.S. press (7) constantly referred to the prospects of Murdoch changing The Times into a "sensational" paper or that Murdoch was best known for his "torrid tabloid" approach to journalism. (8) The same implications or expectation are also present in the reporting of the circulation war in New York between Murdoch's Post and the Daily News. (9)

Sensationalism:

Sensationalism or tabloid journalism has been the area where Murdoch's developmental touch has been most sure but it has also brought him the most criticism, including Press Council censure, both in the United Kingdom and Australia. His growth or ability to expand particular newspapers, however, has never been confined to that end of the market. His spectacular successes have all been in the down-market tabloid field. Many journalists believe that Murdoch constantly strives to develop the respectability of his image through the use - either through takeover or start-up - of up-market publications such as The Australian in Australia and now his purchase of The Times of London. (10)

The Australian, the only national daily morning newspaper in Australia, is an up-market publication and has been described as the only "quality" national daily in Australia. This somewhat obscures the fact that there are several other quality dailies in Australia but which are basically single capital city mornings. (11)

Murdoch also attempted to acquire the long establish and highly regarded The Observer in London but lost out to Atlantic Richfield towards the end of the 1970s. (12) Now ownership of The Times gives Murdoch the most venerable newspaper in the world and greatly strengthens his effort to be able to claim a practical obligation to responsible journalism as well as the commercial success he has achieved in popular journalism.

Murdoch as yet however has no claim to ownership of a quality newspaper in the U.S. although he is strongly based from which to launch a bid for a quality paper or even to establish his own in the U.S. when the time arises. Murdoch is known to have considered establishing his own daily in the U.S., either in New York or Boston, shortly before he got the opportunity to buy the New York Post late in 1976. But with his ownership of the San Antonio News and Express groups in Texas, his Houston-based community newspapers, the establishment of a national weekly The Star, his purchase of Village Voice and New York magazine at the beginning of 1977, Murdoch is firmly placed for future growth into the "respectable" market in U.S. newspapers. Murdoch's U.S. holdings are already estimated to be worth more than $60 million and obviously provide a strong financial and geographic base for future expansion at any opportune moment.

Finance:

Financial information from the Murdoch network may not be as complete as many would like but what is available indicates that Murdoch makes full use of his international holdings to bolster his financial and managerial results.

Murdoch's fundamental financial technique on which he founded his expansion has always been to borrow heavily to finance his purchases. He then develops the profitability of the new purchase as rapidly as possible and uses these profits to pay out his borrowings. (13) This technique has proved almost always successful and has generally left Murdoch in a powerful ownership situation with few, if any, additional stockholders. In several instances Murdoch has actually leap-frogged a new acquisition into financial support for further acquisitions, using some of his newly-acquired resources to finance still further expansion.

A good example of this was his purchase of the Village Voice group in January 1977 for $7.6 million, only two weeks after taking over the New York Post. Of this purchase price Murdoch used $6 million in cash he acquired with the Post. The other $1.6 million he provided from his other U.S. holdings. It is interesting to note that New York commentators at the time of this takeover were surprised he had not borrowed the remaining cash, as his credit rating on Wall Street was then one of the best available.

Then again in 1980, Murdoch rearranged the financial structure of his London-based network to free up an estimated $100 million in cash for use largely in his Australian network but presumably also in his U.S. holdings. These changes - largely structural - in addition gave Murdoch's Australian group access to an extra yearly cash flow of about $40 million. But these financial moves not only provided access to large cash flows, especially for the Australian operations, which were then under pressure from new expansion moves, they also changed Murdoch's Australian corporation from a highly leveraged one to a corporation with low leverage, thus greatly improving future borrowing capacity.

A further benefit of this financial restructing across nations was that it would probably also double Murdoch's Australian profit from about $24 million a year to about $50 million a year. All of these changes between Murdoch's London-based group and his Australian operations were achieved literally without their costing him a cent. To make the changes, all Murdoch did was to offer preferred stockholders in his London group new non-voting shares that carried a guaranteed 48 percent increase in dividend. As most of this type of stock in the London group was held by London retirement funds, the prospect of big rises in future income swung acceptance of the proposals Murdoch's way after early objections. The other neat touch in these rearrangements was that for no cost Murdoch changed from a minority shareholder in his London organization to a majority shareholder.

The basic change in ownership of the shares gave Murdoch's Australian group 100 percent ownership of the London group instead of holding only 49 percent. The Murdoch group said the main reason for the share changes was restrictions on foreign ownership in the Australian Broadcasting and Television Act. This legislation had a vital impact on Murdoch in Australia at the time because he was then attempting to get ownership of the Channel 0-10 television

network. After spending $90 million to buy a half share of Ansett Airlines, one of Australia's two major airline operators, because it owned Channel 0 network in Melbourne, Murdoch lost the next round in his attempt to gain holdings in the highly profitable Melbourne-Sydney televison market. After all his moves to acquire these television holdings, the Australian Broadcasting Tribunal refused to approve the share transfers to Murdoch as not being "in the public interest". (15)

Political:

The main reason this paper has outlined these elements in Murdoch's growth has been to indicate the physical structure within which Murdoch is placed, as well as the range and rapidity with which Murdoch frequently operates. It is through this widespread media structure that he is able to participate in major political campaigns on three continents, virtually what no media baron has ever before been in a position to do or even attempted to do with his newspaper holdings.

Murdoch in Britain now owns nearly half the national newspaper industry. In Australia his group holds more than 25 per cent of the national daily newspaper market and is the only group with the ability to reach all the metropolitan daily markets in the country. In New York Murdoch's Post holds perhaps 30 per cent of the daily market. If Murdoch bought, took over or established just one more newspaper in a major U.S. market, he will be powerfully placed to attempt seriously to influence future political campaigns through his press holdings.

And Murdoch has already shown in all three countries that he is quite prepared to participate in political campaigns with his newspapers, usually taking personal charge of their coverage. Without introducing the details of campaigns, a little background indicates the strength and level of his participation.

In Australia in 1972, Murdoch's papers, especially the national Australian, were strong supporters of Gough Whitlam and the Australian Labor Party. That federal campaign resulted in the Australian Labor Party taking federal power in Australia for the first time in 23 years. Then in 1975 during one of the most heated political campaigns in Australian history, Murdoch and his papers supported the Liberal-Country Party coalition in a powerful and blatant political campaign coverage. The way Murdoch ran his papers during that campaign resulted in about 200 of his journalists going on strike for three days in protest against Murdoch's blatant bias in favor of the Liberal-Country Party. It was the first time any Australian journalists had ever struck against their own newspaper's stand in an election. The journalists complained not only about the bias Murdoch showed in the campaign but also at the fact that they claimed he was actually rewriting their copy and giving strong support for the Liberal-Country Party. Murdoch in reply claimed that all he had been doing with the journalists' stories was removing their own Labor bias. It may be significant that the circulation of Murdoch's flagship, The Australian, dropped an estimated 30 per cent during the few months of that constitutional crisis and took almost another four years for it

to regain its earlier level.

In the United Kingdom, Murdoch has not participated so vociferously in political campaigns but during the last two years has given strong support to the Thatcher government in the face of high unemployment and inflation levels. The political emphasis The Times of London is likely to take under Murdoch is watched closely.

In the U.S.A. Murdoch has already created a minor furor because of his early support of President Carter in the New York primaries. This was coupled with his activity with the U.S. Export-Import Bank in securing a loan to acquire new Boeing airliners for his Australian airline, Ansett. The reason the loan became of political interest was because it was approved by the bank within a few days of a private lunch Murdoch had with President Carter at the White House. A Senate Banking Committee investigation attempted to find whether the closeness of the two occurrences was coincidental or whether approval of the cheap loan - at interest rates several points below going rates at the time - might have been the cost of Murdoch's early support for President Carter. The committee found nothing to indicate these two actions were anything but coincidental.

In New York, Murdoch was also accused of using the Post for biased news coverage in the 1977 New York City mayoral primaries. Early October that year, 50 of Murdoch's Post reporters petitioned Murdoch, accusing him of favoring Edward Koch, whom the Post had endorsed for mayor. Murdoch denied the allegations, saying his coverage was balanced.

It is largely the use of his media outlets, especially newspapers, in political campaigns that interests the multinational band of Murdoch watchers. And it this potential for future political participation on a multinational stage that is the most intriguing aspect of Murdoch's comparatively brief history in media. The fact that major political campaigns will be heating up in all three countries in the next couple of years will provide an excellent chance to study Murdoch's press coverage of them.

Even with this brief outline of some aspects of Rupert Murdoch's expansion during the last 25 years it is possible to write a number of scenarios for the next few years. What it does suggest is that the media should not be surprised by any major Murdoch development, especially within the U.S. in the near future - either in media ownership or in political support.

###

Update:

Since the drafting of this paper in March, two new developments in the Murdoch saga need to be added to the chronology. Neither is a major development in terms of the other items listed. But both indicate some of the emphases in Murdoch's U.S. operations. Both were reported in June.

The San Antonio Express-News announced it was leasing a Channel on the UA-Columbia cablevision system to transmit news stories for 24 hours a day. In New York major staff and editorial changes occurred in the Tonight section of the Daily News which indicated that Murdoch's Post had won the first round in the circulation war which began in August 1980 for the New York market.

With more or less constant developments on separate fronts in the Murdoch empire it is virtually impossible to guess where the action might be next. But overall it may be best summed up by paraphrasing the end of an article by Peter Samuel in May this year. (17)

> If you think Murdoch's takeover of The Times of London startled media executives, it will be nothing compared with the stir there will be when you hear about Murdoch's move on the New York Times.

#####

TABLE 1: Chronology of Murdoch Expansion

1952	Sir Keith Murdoch dies; Rupert Murdoch returns to Australia for funeral; at 22 his major holdings (with family) are in The News and Sunday News in Adelaide, Australia.
1954	buys Sunday Times in Perth, Western Australia.
1956	forms STV Corporation to takeover Channel 9 television in Adelaide, South Australia.
1958	begins TV Week; makes $28 million offer for The Advertiser in Adelaide
1960	buys Cumberland Newspapers in Sydney for $2 million; buys Daily Mirror group in Sydney for $4 million from Fairfax-Packer company.
1964	begins The Australian
1968	wins $50 million takeover battle for News of The World in London.
1969	buys The Sun in London from IPC for $1.6 million. buys holding in London Weekend Television.
1972	buys Daily Telegraph and Sunday Telegraph from Sir Frank Packer in Sydney for $15 million.
1973	buys San Antonio Express and News groups for $18 million.
1974	begins The (National) Star
1976	buys New York Post for $30 million.
1977	buys Village Voice and New York magazine for $7.6 million
1979	bids $245 million for Herald and Weekly Times group in Melbourne, Australia, country's biggest media combine. sells Wollongong and Adelaide TV stations in Australia for $27 million. buys half share of Ansett Airlines for $90 million to get its Channel 0 television holdings.
1980	buys and shuts down Cue New York. sells New West magazine for $3.7 million. buys Houston community newspapers Australian Broadcasting Tribunal rejects Murdoch's television rearrangements as "not being in public interest."
1981	Murdoch buys The Times of London for $27.6 million

References:

1. See,e.g., Castro, Janice "Fox in the Establishment Coop" Time March 2 1981 p. 59; Kronholtz, June "Murdoch Conditionally Agrees to Acquire Times of London and Sister Publications" Wall Street Journal January 23 1981, p. 22; Hosenball, Mark "Murdoch Marches on London Times" Washington Journalism Review March 1981 pp. 11-12.

2. Stein, M.L. "Rupert Murdoch Buys The Times of London" Editor and Publisher February 21 1981 pp. 12-13.

3. Most of the Murdoch story must be tracked through dozens of press stories and journal articles. About the only readily available book from which a biographic outline in some detail is possible is Regan, Simon Rupert Murdoch: A Business Biography Sydney: Angus and Robertson 1977.

4. See e.g. Stein op. cit.

5. Regan, op. cit., p. 66.

6. ibid., p. 151.

7. Kronholz, op. cit.

8. Castro, op. cit.

9. Austin American-Statesman "Changing Times: Murdoch Shakes Up a Newspaper Institution" June 21 1981 p. A11.

10. Castro, op. cit.

11. Hosenball, op. cit. p. 11.

12. Stein, op. cit., p. 40.

13. Regan, op. cit., p. 54.

14. McCrann, Terry "Murdoch's UK Move Dwarfs His Other Spectaculars" The Age Melbourne, Aust. January 13 1980 p. 19.

15. Wall Street Journal "Rupert Murdoch LOses Battle to Win Control of Australian Station" September 29 1980; and "Broadcasting Tribunal in Australia Explains Denial of Murdoch Bid" October 14 1980 p. 32.

16. Mills, Joshua E. and Stephens, Mitchell "The Election According to Murdoch" More November 1977 p. 22.

17. Samuel, Peter "Newspaper Closeup. Rupert Murdoch: The Interview of Record" The Press May 1981 pp. 44-47.